



Special Report

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The Recovery Act: Creating Jobs and Making a Difference in Minnesota

Earlier this year, the Democratic Congress worked with President Obama to enact the *American Recovery and Reinvestment Act* (the *Recovery Act*) in an effort to rescue, rebuild, and strengthen our struggling national economy. Eight years of failed fiscal policies and misguided economic priorities had left our national economy on the brink of disaster, and now – only nine months later – our economy is on the brink of recovery. The *Recovery Act* and the efforts of American businesses and workers, like those in Minnesota, made this progress possible.

Despite this encouraging news, Democrats know that many Minnesotans are still struggling, and unemployment – a lagging economic indicator – remains far too high. In response, Democrats are working to create and save millions of jobs with *Recovery Act* dollars and tax relief. Already, with more than half of the dollars yet to be spent, the recovery package has provided for more than one million jobs and the rate of job loss has slowed significantly. As we look toward the future, Democrats believe that the *Recovery Act*, combined with the American work ethic and ingenuity, will continue to make a difference for families in Minnesota and will deliver on its promise to rebuild our economy and get Minnesotans back to work.

The Recovery Act is Creating Jobs and Making a Difference

Last week, the White House announced that certain recipients of *Recovery Act* funds have reported the creation of 640,329 direct jobs. About 325,000 of these jobs are in education and over 80,000 are in construction. These numbers, however, represent only about 16 percent of expenditures through September 30 and do not reflect the majority of *Recovery Act* funding to date, which has gone directly to individuals and states, including:

- Tax relief for businesses and working families;
- Small business loans, which are exempt from reporting;
- The first-time homebuyer tax credit;
- Direct federal aid, including \$250 direct stimulus checks, enhanced unemployment benefits, increased food stamp benefits for vulnerable families; and
- State fiscal relief, which prevented job cuts at the state and local government level.

Moreover, the reported data does not capture indirect or induced jobs created when prime contractors hire suppliers or other companies to complete projects or when newly employed

workers spend their pay checks. It is estimated that, if included, indirect jobs would add another 50 percent or more to the direct jobs numbers and induced jobs would add an additional 36 percent. [Office of the Vice President, [10/30/09](#); CBPP, [10/28/09](#)]

Taken as a whole, the reported data confirms earlier estimates that the *Recovery Act* would create or save over one million jobs by now, even though less than half of the *Recovery Act* funds have been put to work. [Office of the Vice President, [10/30/09](#)]

Moreover, without the *Recovery Act*, economists believe that the economy and the unemployment rate would be much worse.

- According to Congressional Budget Office (CBO) projections, “The effect of the stimulus legislation on the level of economic activity will probably build during the second half of 2009 [and] have its maximum impact in the first half of 2010... CBO estimates that real GDP will be 1.4 percent to 3.8 percent higher in the fourth quarter of 2009 than it would have been without the stimulus, 1.1 percent to 3.4 percent higher in the fourth quarter of 2010, 0.4 percent to 1.2 percent higher in the fourth quarter of 2011, and zero to 0.3 percent higher by the fourth quarter of 2013.” [CBO, [8/09](#)]
- These estimates were bolstered by third quarter growth when, for the first time in more than a year, the economy expanded, and, at 3.5 percent, it expanded faster than expected. [*Wall Street Journal*, [10/29/09](#)]
- According to economist Mark Zandi, “The research of Moody’s Economy.com suggests that a million fewer jobs would exist today, while the unemployment rate would already have risen well into double digits.” [Testimony before the Joint Economic Committee, [10/29/09](#)]

The Recovery Act is Creating Jobs and Making a Difference in Minnesota

In Minnesota, this partial reporting indicates that 14,315 jobs have been created or saved by funding 1,227 awards worth \$2,575,089,480, of which \$569,022,073 has already been received. [Recovery, Accountability, and Transparency Board, accessed [11/2/09](#)]

Similar to the national number, this validates the White House’s earlier estimates that the *Recovery Act* is responsible for saving or creating 20,100 jobs so far for Minnesotans (accounting for indirect and induced jobs). [Council of Economic Advisors, [9/2009](#)] **Minnesota is on track to benefit from a total of 66,000 *Recovery Act* jobs.** [The White House, [2/2009](#)]

These numbers alone cannot adequately convey the human impact of the jobs that are supported by the *Recovery Act* – the real-life stories of local companies that can hire new employees, workers who are no longer faced with uncertainty, and families that no longer need to struggle to pay their bills. The following is a sampling of some of the local *Recovery Act* success stories in Minnesota:

At the University of Minnesota’s Academic Health Center, 128 *Recovery Act*-funded grants will be used for research projects ranging from Alzheimer’s disease prevention to smoking cessation. “A medical arm of the University of Minnesota has snagged more than \$34 million in federal stimulus money for research projects ranging from Alzheimer’s disease prevention to smoking cessation. The university’s Academic Health Center announced the 128 grants for scientists, physicians and researchers on Tuesday. The grants will

allow the university to begin research that "previously we just couldn't undertake," said Dr. Mark Paller, assistant vice president for research for the center. According to the National Institutes of Health, \$34 million will translate into a net economic gain for the center of more than \$100 million, based on the formula that every \$1 in spending on research generates another \$2 in other spending on goods and services. Among the biggest projects being funded, at about \$1 million each, are research into Alzheimer's prevention, smoking cessation, magnetic imaging research and heart defect treatment... Money from the \$787 billion stimulus package also is being used to hold down student tuition and retain jobs during the next two years because of state funding cuts." [\[Star-Tribune, 11/10/09\]](#)

Recovery Act funds have saved or created roughly 20,100 jobs, including 5,942 education-related jobs and 1,200 public safety and medical spots. "The state's first comprehensive report on how federal stimulus money is affecting Minnesota showed that while much of the money is going to unemployment benefits and medical assistance payments, millions of dollars are flowing in to projects and programs that range from rebates to consumers who buy energy-efficient appliances to services for the blind. One project, totaling \$5.59 million, will build living quarters at Camp Ripley, the longtime military training base in north-central Minnesota, and install backup power and heating systems at many of the 63 National Guard armories scattered across the state. Nearly \$470,000 will go to replace a bridge over the St. Francis River in central Minnesota. 'The block layers were waiting for this job to get going so they could get back to work,' said Jim Kuechle, the co-owner of a construction company in Cold Spring, which got a contract to build an addition and re-roof a service building at the National Guard armory in Willmar... Among the jobs saved or created by stimulus funds: 5,942 education-related jobs and 1,200 public safety and medical spots. Preliminary estimates also show that, when adding jobs that were indirectly created, 20,100 total jobs had been preserved or created in Minnesota using federal stimulus money." [\[Star Tribune, 10/12/09\]](#)

Thanks to Recovery Act funding, 135 jobs have been created for community action groups in Minnesota, which in turn has likely saved another 850 jobs. "An official with the Minnesota Department of Human Services says community action groups throughout the state have created 135 jobs using one category of federal stimulus money. The anti-poverty organizations are getting \$12 million in block grants to foster jobs. Economic Opportunity Office Director Connie Greer says the groups have spent about \$1 million since July. She says the cash went to jobs such as job placement coaches, mortgage foreclosure prevention specialists, information technology professionals and maintenance workers. Greer says the community action groups anticipate saving more than 850 jobs and creating another 700 positions before the stimulus grants run out next September." [\[KTTC, 10/7/09\]](#)